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DE RUEHAD #0684/01 1601042
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P 081042Z JUN 08
FM AMEMBASSY ABU DHABI
TO RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUEHDE/AMCONSUL DUBAI 7782
RUEHC/SECSTATE WASHDC 1051
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUCNIRA/IRAN COLLECTIVE
RUETIAA/NSA WASHINGTON DC
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC
RHMFISS/DEPT OF HOMELAND SECURITY WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 0199

S E C R E T SECTION 01 OF 02 ABU DHABI 000684

SIPDIS

TREASURY FOR U/S LEVEY
STATE FOR NEA/IRAN, NEA/ARP, EB/ESC/TFS, S/CT
NSC FOR ZARATE

E.O. 12958: DNG: CO 06/06/2032

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SUBJECT: TREASURY U/S LEVEY MEETING WITH UAE CENTRAL BANK
GOVERNOR

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Classified By: Charg Martin Quinn, for reasons 1.4 b and d.

11. (S) Summary: On June 2, Treasury U/S Stuart Levey discussed Iran and the UAE's FATF mutual evaluation with UAE Central Bank Governor Sultan Nasser Al-Suwaidi. A-Suwaidi explained that he had not seen much growth in the portfolios of Iranian banks in the UAE. In response to U/S Levey's question about how the UAE would implement the UNSCR 1803 requirements of enhanced due diligence on Iranian financial institutions, Al-Suwaidi said the Central Bank would send guidance to local financial institutions very soon, "hopefully within a few days." Al-Suwaidi asked for U/S Levey's help to raise the UAE's Financial Action Task Force (FATF) assessment rating on Hawala from non-compliant by one level to partially compliant. The Governor and Al-Awadi also asked for U.S. training both at the bilateral level and using the UAE as a host for multilateral events. End Summary.

Iran

12. (S) Al-Suwaidi briefly gave his impression of the Iranian economy, noting that inflation and unemployment were both up, and that several Iranian businesspeople were looking to relocate to the UAE, either as a stepping stone "west" or as a more permanent home. He commented that, when Abu Dhabi opened up some real estate opportunities to foreign investment, the first Iranian question was whether the investment guaranteed a residence permit. When the developers were unable to reply in the affirmative, Iranian interest receded. He wryly noted that Dubai took a more liberal approach to residency, attracting more investment. Al-Suwaidi stressed that the UAE was cracking down on the Iranians, but would continue to do so "gradually," by canceling visas or not renewing business licenses.

13. (S) During an earlier meeting with Secretary Paulson, Central Bank Governor Al-Suwaidi stated that remittances from Iran have gone down significantly in the last several months and are continuing to fall. He disclosed that the Deputy Governor of the Central Bank of Iran visited the UAE recently to complain about the strained relations between Iran and UAE banks. Al-Suwaidi said that he refused to meet with the Iranian official, instead sending his Deputy with the instruction that the UAE Central Bank will not interfere on behalf of Iran.

14. (S) U/S Levey, noting Al-Suwaidi's earlier remarks about lower fund transfers to Iran, said he was trying to reconcile this with other information that the Iranians viewed the UAE as a "safe haven." He asked whether the Iranians could just be parking their money in the UAE. Al-Suwaidi asserted that Iranian bank assets and liabilities didn't show this. They were actually growing slower than "normal growth." He added that the last time the UAE looked at bank deposits by nationality, it discovered that 73% of deposits were local, 11% were Asian, 8% Arab, and the remainder from the rest of the world. Al-Suwaidi did say that an active Dhow trade existed, with Iranians bringing products (carpets and produce) to the UAE to sell, and using those funds to purchase UAE products. Judging by the lack of impact on the financial sector, however, the business didn't appear to be growing.

15. (S) U/S Levey asked whether the UAE banking system treated Iranian businesses as Iranian or Emirati. The Governor asserted that for companies younger than 10 years, Banks treated them as Iranians. He added that the UAE saw very little cross-ethnic lending. Indians borrowed from Indian banks, Iranians from Iranian banks. The only exception was either for some of the larger international banks, such as Standard Chartered or HSBC that could perform due diligence

in the home market or for some of the bigger more established companies.

16. (S) Al-Suwaidi briefly discussed specific banks. With regard to the merged Emirates Bank International/National

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Bank of Dubai (now Emirates NBD), Al-Suwaidi noted that Emirates NBD Chairman Ahmed al-Tayer had taken U/S Levey's warning to heart and was addressing the bank's Iran portfolio. Al-Suwaidi explained that most of Emirates NBD's Iran exposure came with the National Bank of Dubai, and that al-Tayer was gradually taking on this issue as he consolidates the bank. The Emirates Bank philosophy was slowly taking over the bank and was leading to a cut in Iranian business. Al-Suwaidi also explained that the Iranian Central Bank did not appear to be taking on specific business for Bank Sepah in the UAE. He added that the Iranian Central Bank never had significant deposits in the UAE and never had an account with the UAE Central Bank.

Financial Action Task Force

17. (SBU) Al-Suwaidi and Anti Money Laundering and Suspicious Cases Unit head Abdulrahim Al-Awadi asked for U/S Levey's assistance in the upcoming FATF review of the UAE's Anti-Money Laundering system. They explained that Yemen and Qatar, which had no Hawala registration system, were marked as "not applicable" by the evaluators. The UAE, which had a registration scheme and had already registered 270 hawala dealers, was marked as "non compliant." They explained that -- unless the rating was raised to "partially compliant" the UAE's National Anti Money Laundering Committee had recommended dropping the registration requirement. In their mind, the UAE was being punished for trying to address the problem honestly. In response to U/S Levey's question, Al-Awadi explained that the review team's methodology noted that there was no penalty for non-registration, but that the Central Bank Law, the Anti-Money Laundering Law, and AML regulations all provided for penalties. U/S Levey undertook to check with his FATF experts on the issue.

18. (U)

UAE Delegation

Sultan Nasser Al-Suwaidi, Central Bank Governor
Saeed Al-Hamiz, Senior Executive Director for Banking Supervision
Abdulrahim Al-Awadi, Assistant Executive Director and Head of Anti Money Laundering and Suspicious Cases Unit
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USG Delegation

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